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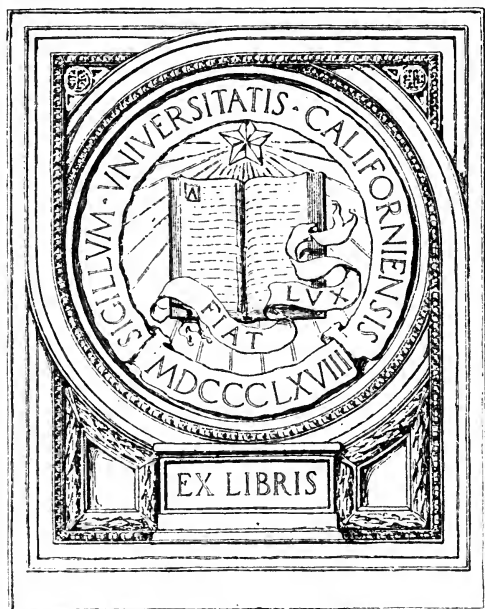
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DATA ON RECORDING AND HANDLING CREDITS, COLLECTIONS, AND COMPLAINTS

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Supplementary to Section XV of "Scientific Office Management" by W. H. Leffingwell

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DATA ON RECORDING AND HANDLING CREDITS, COLLECTIONS, AND COMPLAINTS

Here is the system used by one exceptionally successful house for recording all correspondence and papers having to do with credits, collections and complaints.

The credit manager uses folders like that shown on page 2 for keeping all correspondence and data referring to the credit of the firm's customers. At the top center of the folder is the general information about the customer, such as the name, the address, the rating, references, the name of the customer's bank, and so forth, with room for any remarks. Directly below this are spaces providing for a complete record of collections made through attorneys.

On the left side of the folder is a history of the account, with columns for the date, the amount, the discounts, the dates of payment, and so on. At the right is the date the account was opened, as well as spaces for indicating the credit limits placed by the credit manager. Directly below this is a table of credit limits, which provides for three kinds of customers—those who discount, those who pay promptly at maturity, and those who are fair pay. In the first column of the table are the symbols designating the class to which each kind of customer belongs.

Into the folder are put all correspondence, reports, and other papers referring to the credit of the customer. The manager finds it quite helpful to paste the reports on the inside of the front cover, where they are always ready for immediate reference. Thus the folder contains a complete record of everything pertaining to the customer's credit with the house.

Three forms comprise all the records that are needed to handle the orders, collections, and complaints received by the

In order to clearly understand just how this probably unique system works, a glance first at the routine of the order department will be helpful. When an order comes in, a colored sheet like that shown on page 3 is attached by the mail opener to the order, which then goes to the order clerk. Here

THIS FOLDER HOLDS ALL THE CREDIT DATA

the order is analyzed, and the necessary accounting and shipping data indicated, both on the order and on the attached sheet. The order is then entered on the order register, and given a number corresponding to that on the register. From this point on, that particular order is referred to as "Account No. so and so."

(2)

B

No. 52397

Carl A Klemm
204 Paul Jones Bldg
Louisville, Ky

PLATE IMPRESSION

Carl A Klemm
 204 Paul Jones Bldg
 Louisville, Ky

9 20

June 2, 1917

52397B

\$10.00

ORDER NUMBER	EXPIRES	BOOKS	C. O.	PAID	O. R.	CANCELED	R. B.

RATING**CREDIT
INSTRUCTIONS**

AMOUNT <u>10.00</u> 1 PAID _____ BALANCE _____ TERMS _____		CASH ORDER AMOUNT _____ DISCOUNT _____ _____		LIST JUN 2 L.P.M.
				PROOF READ JUN 2 E.C.A.
(A) _____ 2 (B) _____ (C) _____		EXTEND SUBSCRIPTION <u>5 yrs</u> PLATE LIST _____ NEW EXPIRATION DATE _____		BILLED JUN 2 T.L.N.
3 _____		REMARKS _____		REFER TO
4 _____				FILED JUN 2 B.A.T.

STANDARDIZING THE ORDER ROUTINE

When an order comes in, a colored sheet like this is attached by the mail opener to the order, which then goes directly to the order clerk, who analyzes the order and indicates on this slip the accounting and shipping data. As each clerk handles the order, he stamps his initials and the date in the right hand column

where an address plate is made, containing the complete address of the customer, the date of the order, the order number, the particulars of the order (as indicated by standard symbols), and, in the case of a subscription, the date the subscription expires.

An impression of this plate is then taken on the colored sheet, and compared carefully with the original order, to make sure that it is absolutely correct in every respect. If the plate is correct, it then goes to the billing department. It is at this point that the other record forms are prepared. The billing clerk, using the plate she has just received, now stamps six separate forms. All are of course originals, hence are clean and easy to read, and since they are made from the same plate, all are correct, and contain exactly the same information.

THESE TWO FORMS SIMPLIFY THE HANDLING OF COMPLAINT AND COLLECTION RECORDS

Two of these six forms comprise the records; the other four forms stamped by the billing clerk are the shipping label, the duplicate express receipts, and the invoice. The label and receipts go to the shipping room, and since they contain the full details of the order, as expressed in symbols, the order is filled from them. The invoice goes to the mailing department, where it is slipped into a "window" envelope, and mailed at the proper time, usually seven or eight days after the order has been shipped, thus allowing plenty of time for the goods to reach the customer.

Let us now examine the two remaining forms which, as stated at the beginning of this section, form the only records needed to follow up collections or adjust complaints. These two forms are the "account card" and the "list card," and their names are fully descriptive of their uses. The list card, shown on page 5, goes from the billing clerk to the list department, where it is filed alphabetically, with the hundreds of thousands of other cards already there. These list cards form the "master index" of the company's customers. Seven double bank "tub desks" are used to hold these cards, and over 20,000 guide cards are used, making the location of any card a matter of a few seconds.

The account card, shown on page 6, is now compared

with the order register, to make sure that the order has been entered correctly. It then goes to the accounting department where it is filed by its number and special division, according to the class of goods ordered. This concern has five classes of goods, each represented by a single letter, which greatly simplifies both the filing and the finding of any account card. The account cards are kept in trays on a truck, which is wheeled into the vault at night.

Carl A. Klemm,				9 20			
204 Paul Jones Bldg.							
Louisville, Ky.				52397B			
			C.O. PAID O.R. CANCELED R.B.				
ORDER NUMBER	EXPIRES	BOOKS					

THE LIST CARD

The 3x5 card which is made at the same time as the account card contains the name, the expiration date and the order number of each customer. It is filed alphabetically in the "master index" with the hundreds of thousands of other cards already there. These list cards are contained in "tub desks"

One feature of this two-card record system is its extreme flexibility. For instance, there is an account card for every order; this means that there may be several account cards for a particular customer. This, however, is no drawback, since, when any account is paid, that particular account card is stamped "paid," removed from the unpaid accounts, and transferred to the file of paid accounts. At stated periods, the paid account cards over six months old are destroyed, since of course there is no further use for them: the particular account has been settled, a generous time has elapsed for complaints, and there is no need of cluttering the files with useless cards. On the other hand, none but active accounts

remain in the unpaid file, and we shall soon see how these are handled in the routine of collections and complaints.

Perhaps a last word of explanation ought to be given concerning the list cards. Although, as we have seen, there may be several account cards for any one man, there is only one list card. The way this is handled is interesting and worthy of our attention.

June 2 ,1917						ACCOUNTING DEPARTMENT 1 _____	
<div style="display: flex; justify-content: space-between;"> <div> Carl A Klemm 204 Paul Jones Bldg Louisville Ky </div> <div> 9 20 52397B </div> </div>						ACCOUNTING DEPARTMENT 2 _____	
\$10.00						STATISTICAL DEPARTMENT _____	
						LIST DEPARTMENT _____	
						PLATE DEPARTMENT _____	
						COLLECTION DEPARTMENT _____	

DATE	PAID TO	CREDIT	BALANCE	DEBITS	JUL 2 E.K.P.	BILL	
					AUG 2 E.K.P.	1	<i>9/29 special terms of order covers the deliveries EKB</i>
					SEP 2 E.K.P.	2	
						3	
						4	
						5	
						6	
						7	
						S A	
						S B	

THE ACCOUNT CARD

This 5x8 card contains the same information as the list card, and in addition this card also bears the date and the amount of the order. It is filed by its number and the special division, as denoted by the letter, in this instance "B."

All unpaid account cards are filed together

The two right hand numbers, in line with the name of the customer, are the symbols indicating the kind of goods ordered. The number opposite the address on the bottom line is the order number, which is also, of course, the account number. It is important to note, however, that this number refers only to the first order received from this customer. Subsequent order numbers are entered in the columns provided on the card, which henceforth becomes the record of all business with this customer. Simply as a convenient cross-reference, each account card usually bears the numbers of all the other orders received from the same customer. This is helpful in posting payments.

Thus for each customer there is a list card filed alpha-

betically, containing all the account numbers, and an account card filed by number, one card for each order.

We are now ready to see how collections and routine complaints are handled. Let's suppose that the customer sends in a complaint shortly after he has sent in his order. The letter comes to the mail opening department, where it is opened and read. The mail opener notes the nature of the complaint, places a check mark against that complaint on a list of standard complaints, and sends the letter to the adjustment department.

THIS ROUTINE FOR ADJUSTING CUSTOMERS' COMPLAINTS
HAS WORKED OUT SATISFACTORILY

In order to unify the handling of complaints, certain correspondents in the adjustment department handle only complaints about certain classes of goods. For example, one man handles only the complaints about one of the magazines, another handles the complaints about the books, a third about the courses, and so on.

The correspondent who has received the letter that has just come in, pins to the letter a pink requisition slip, like that shown on page 8. If the complaint refers to payments, to the goods sent, or to the magazines, he places a check mark against the words "List Dept." If this is all the information he desires, he then stamps the date and his initials at the top of the requisition sheet, after the word "From," and slips the two papers into his outgoing tray.

The letter with the requisition attached goes to the list department, where, as we have seen, there is one card for each customer, filed in alphabetical order. This card, you will remember, carries not only the customer's name and address, but also the particulars about the various orders he has sent in from time to time. The list clerk reads the letter, notes what information is desired, takes out the card and notes on the requisition slip the account number, the goods ordered, and the date the subscription to the magazine expires. Then he stamps the requisition with the date and his initials, thus placing the responsibility definitely upon him.

When the correspondent has received the information he wants from the list department, he gets the customer's account card, locating it by the account number which the list depart-

FROM

JUN 2

R.N.B.

**ADJUSTMENT
DEPARTMENT****LIST
DEPT.***Account No. 52397 B*

JUN 2 L.P.M.

**PLATE
DEPT.**

Carl A Klemm

9 20

204 Paul Jones Bldg

Louisville Ky

52397B

JUN 2 F.J.

ORDER

JUN 2 B.A.T.

CORRESPONDENCE**SHIPPING RECEIPT****THE SIMPLE INFORMATION REQUISITION**

Here is the pink requisition sheet which is attached to all letters of complaint and sent to the adjustment department. The correspondent in that department who receives the letter simply checks on this sheet what information he desires and stamps the date and his initials at the top

ment has given him, and with this information proceeds to answer the letter complaining about a payment or about the non-receipt of the magazine or order, whichever it is.

The next letter of complaint may state that the writer never ordered the goods for which he has been billed. Or he may refer to some previous correspondence; or he may not have received the goods at all. In this case the correspondent checks the proper square at the bottom of the pink requisition sheet (page 8) and the desired material is obtained by the filing department and sent to the correspondent, who answers the letter according to the information he receives.

MANY COMPLAINTS WHICH HAVE BEEN STANDARDIZED
CAN BE ADJUSTED WITHOUT DELAY

All this, of course, presupposes that the customer's name and address are given in the letter of complaint. It more often happens that some particular is omitted, which it is necessary to have before the letter can be properly handled. Accordingly the correspondent checks the words "Plate Dept." The plate department locates the plate, and takes an impression of it on the pink requisition slip. Then, after stamping the date and the initials of the girl doing this, the requisition and letter are returned to the correspondent.

The correspondent now has all the information he desires. If the complaint is one that has been standardized, all that is necessary is to jot down on the requisition the numbers of the standard paragraphs, and pass it on to the typist. To facilitate this sort of "dictation," the correspondent has in front of him a revolving rack which contains the numbers and topics of the standard paragraphs; all of these are plainly in sight at all times. The typist has a corresponding set of cards, so arranged by number on a rack that by a slight movement of her forefinger the desired paragraph is immediately shown, ready for copying. Should the letter require a special answer, the correspondent simply turns to the dictating machine at his left and dictates the necessary answer.

The automatic "dunning" routine of this company is as nearly human perhaps as any machinery can be. A carefully prepared series of follow-up letters is sent to each unpaid

account regularly, every 30 days, until the fourth follow-up, which is sent out 15 days after the third follow-up. Three more letters are sent out at 15 day intervals before the account is finally turned over to the attorneys.

S1		S2		S3		S4		S5		S6		SA		SB	
Dun- ning Dates	Ac- count Date	Dun- ning Dates	Date sent	Dun- ning Dates	Date sent	Dun- ning Dates	Date sent	Dun- ning Dates	Date sent	Dun- ning Dates	Date sent	Dun- ning Dates	Date sent	Dun- ning Dates	Date sent
5	5	5	5	5	5	5	20	5	20	5	20	5	20	5	20
6	6	6	6	6	6	6	21	6	21	6	21	6	21	6	21
7	7	7	7	7	7	7	22	7	22	7	22	7	22	7	22
8	8	8	8	8	8	8	23	8	23	8	23	8	23	8	23
9	9	9	9	9	9	9	24	9	24	9	24	9	24	9	24
10	10	10	10	10	10	10	25	10	25	10	25	10	25	10	25
11	11	11	11	11	11	11	26	11	26	11	26	11	26	11	26
12	12	12	12	12	12	12	27	12	27	12	27	12	27	12	27
13	13	13	13	13	13	13	28	13	28	13	28	13	28	13	28
14	14	14	14	14	14	14	29	14	29	14	29	14	29	14	29
15	15	15	15	15	15	15	30	15	30	15	30	15	30	15	30
16	16	16	16	16	16	16	16	16	31	16	31	16	31	16	31
17	17	17	17	17	17	17	17	1	17	1	17	1	17	1	17
18	18	18	18	18	18	18	18	2	18	2	18	2	18	2	18
19	19	19	19	19	19	19	19	3	19	3	19	3	19	3	19
20	20	20	20	20	20	20	20	4	20	4	20	4	20	4	20
21	21	21	21	21	21	21	21	5	21	5	21	5	21	5	21
22	22	22	22	22	22	22	22	6	22	6	22	6	22	6	22
23	23	23	23	23	23	23	23	7	23	7	23	7	23	7	23
24	24	24	24	24	24	24	24	8	24	8	24	8	24	8	24
25	25	25	25	25	25	25	25	9	25	9	25	9	25	9	25
26	26	26	26	26	26	26	26	10	26	10	26	10	26	10	26
27	27	27	27	27	27	27	27	11	27	11	27	11	27	11	27
28	28	28	28	28	28	28	28	12	28	12	28	12	28	12	28
29	29	29	29	29	29	29	29	13	29	13	29	13	29	13	29
30	30	30	30	30	30	30	30	14	30	14	30	14	30	14	30
31	31	31	31	31	31	31	31	15	31	15	31	15	31	15	31
1	1	1	1	1	1	1	1	16	1	16	1	16	1	16	1
2	2	2	2	2	2	2	2	17	2	17	2	17	2	17	2
3	3	3	3	3	3	3	3	18	3	18	3	18	3	18	3
4	4	4	4	4	4	4	4	19	4	19	4	19	4	19	4

THE AUTOMATIC DUNNING SCHEDULE

A schedule like this is used to insure the correct follow-up letters being sent out on the exact dates. S1 is the symbol for the first letter, S2 for the second, and so on. The first column shows that on July 9 all accounts dated June 9 are to receive the S1 letter. The first three letters are sent at 30-day intervals

Here is where the simple follow-up system comes into play. We must remember first that all unpaid accounts—which of course are the only accounts followed up—are filed together by numbers. Since the numbers are consecutive, all the account cards for any date are right together. Reference to the “dunning schedule” shown above, indicates that on July 9 all accounts dated June 9 are to be followed up with letter number one. At the same time, follow-up letters numbered two and three are to be sent to accounts dated May 9 and April 9 respectively, and letters numbered four, five, six and

seven to accounts dated March 24, March 9, February 24, and February 9.

Accordingly the girl in charge of the account card files "pulls" out those account cards which bear the dates specified. These account cards are then distributed among the typists. Each typist has on her desk a cabinet containing a supply of the standard follow-up letters, all processed and signed, ready for filling in the name and address of the customer. The typist notes that her bunch of account cards is to receive follow-up letter number one; accordingly she selects one letter number one, inserts it in her typewriter, fills in the date, name, and address, and then checks the account card opposite the figure "1" by stamping the date and her initials, to show that the proper letter has been sent. The account cards are then returned to be filed, to come up again 30 or 15 days later, as the case may be, for the next follow-up.

WHAT HAPPENS TO THE "DUNNING" MACHINERY WHEN THE CUSTOMER PAYS OR WRITES?

Most customers, of course, pay their accounts before the final follow-up letter is sent. When the payment is received, the account card is "pulled," stamped "paid," and filed with the paid account cards. This automatically stops the "dunning" routine so far as that card is concerned.

If the customer writes in at any time during the follow-up period, the account card is "pulled," and when the letter has been answered, either by special dictation or by standard paragraphs, the correspondent notes in pencil in the upper left hand corner of the card, the date the letter is to be followed up. The correspondent also draws a pencil line through the rest of the follow-up numbers in the column headed "Bill" and notes the substance of the special letter in the column to the right, stamping the date of the answer and his initials. Should the "puller" pull this card before the follow-up date indicated, she simply puts the card back in the file. When the card comes up again, if the customer has not been heard from, the card is pulled, and another special or standard letter sent, so worded as to bring the letter into line with the regular dunning routine letters. The pencil line through the numbers in the "Bill" column and the date in the upper left hand corner

are erased, and the card is filed in its proper place to come up 15 or 30 days later with the rest of the unpaid accounts in the regular dunning routine.

There is a limit to nearly everything, and that applies to dunning letters. When the last letter has been sent, and the special attorney's letter has brought no results, the account card is pulled, and the accounting department "charges off" the account as a bad debt, at the same time stamping the words "charged off" and the date on the account card. From the accounting department the account card then goes to the statistical department, to reduce the credit for the order given to any particular mailing. The card then goes to the list department, where the list card (page 5) is pulled and the date of the charge off indicated in the column, "C. O." This list card is then filed again with the other list cards; at any time in the future if that particular customer sends in a charge order, this list card shows that he still owes us on the other order, and credit is refused until the uncollected balance is paid.

The plate department next gets the account card, and removes the address plate, so that no more magazines will be sent. Finally the account card is returned to the collection department which turns it over to the attorneys to collect what they can.

HOW TO HANDLE THE ACCOUNT WHEN THE CUSTOMER "COMES BACK"

A very simple and effective check on this "charge off" routine is provided by the space in the upper right hand corner of the account card. As the card is handled by each clerk, he stamps his initials and the date in the proper space.

To reinstate an account that has been charged off, it is only necessary to start the account card going through the routine again, by sending it to the accounting department, where the man reinstating the account stamps his initials and the date beside the other stamp, only turned sideways. The card goes in turn to the statistical, list, and plate departments, where the same procedure is followed, and finally comes to the collection department, where it again takes its place with the unpaid accounts.

So much for the recording. The remainder of this pamphlet is to be given over to the actual handling of credits, collection, and complaint letters, especially as regards policies and their application.

The poor credit rating of a customer or of a prospective customer is ample reason for limiting his dealings with the house. But to restrict those dealings by refusing to sell goods is not only cutting off a possible source of present profit, but shutting off the probability of further dealings in that direction. There are various ingenious methods by which the experienced credit manager "turns down" poorly rated customers, and at the same time retains all or part of their trade by assisting them to handle it on a cash basis.

Possibly the hardest letter to write in the whole field of business correspondence is the one which turns down the order from a business man having a poor rating, at the same time getting his business on a cash basis. And this is a proposition that comes up almost daily to the credit men in large wholesale houses and in manufacturing establishments.

To the credit man, the world sometimes appears to be full of retailers whose imaginations are greater than their capital—merchants who dream of the great business they will build if they can only get credit. Often it is only one out of a hundred who makes a noticeable success; some may drift along, forever haunted by sight drafts and overdrafts, and others may sooner or later fail, and so wholesale houses are constantly on their guard against losses from this class of customers.

At the same time, these hundred merchants represent a volume of business that the wholesaler cannot altogether ignore. While a man's credit may be questionable he may have considerable trade that it is very desirable to get if it can be secured on a cash basis or if his orders can be held down to a safe margin.

Human nature is so constituted that the "little fellows" who have not established a basis for credit are always the ones who are most touchy of their reputation, and so great diplomacy is required in handling them in a way that will hold their trade.

There are some firms that make no effort to secure any of this business. If a business man's rating is acceptable, well and good, his orders will be filled, but if there is any doubt as

to his financial standing he is informed in no uncertain terms that his patronage is not desired. But the credit man who is looking after the larger interest of his house, always meets the vast army of "little fellows" with a welcoming hand and an encouraging smile.

If he must turn one down he does it so diplomatically that the way will be left open to go after his business later on if the merchant becomes thoroughly established. In every city there are prosperous business men who started out with small capital and were considered poor credit risks at one time.

The large-caliber credit man realizes, moreover, that he is a salesman as well as a collector and that it sometimes pays to coddle along the small dealers, even at the expense of an occasional lost account. This is the price the house is willing to pay for the additional business that could never be secured by limiting the credits too strictly.

SOME WAYS IN WHICH THE CREDIT MAN CAN COOPERATE WITH HIS CUSTOMERS

Nearly every business man, at some time or other, faces a crisis in his business. Accidents occur, and unforeseen circumstances arise. Perhaps he may commit an error of judgment, or fail to focus his business in the proper perspective; and the result is that bills fall due when there is no money in the till to meet them. Often these conditions strain to the breaking point what is a perfectly fair credit limit in normal times.

Such cases, when they come under the credit man's eye, offer him the opportunity of giving constructive service to the customer. He can, if he makes his customers' interests his own, in many instances foresee approaching danger and put the customer on his guard against it. The credit man in a large concern naturally has a broad outlook on the trade. He sees national conditions and anticipates their reaction on local conditions. He has the opportunity, too, of knowing local conditions better than even the retailer himself can know them. Besides this, he knows internal store conditions—the pitfalls of business, and the causes of failure. And if he has cultivated the retailer in the right spirit, he can warn him when the first signs of danger appear.

Many times a close, friendly cooperation of this sort means

mutual profit. Not only is the creditor himself saved from the possibility of having to accept from thirty to sixty cents on the dollar in lieu of the full amount due him; but further, it leaves the customer on a sound basis. And the latter is, for the future, a better friend and customer than ever.

No definite rules can be laid down for handling this class of business. The form letter is usually impractical, for each case must be diplomatically handled with a full knowledge of the standing, reputation and record of the customer. The letters given in this pamphlet are not intended as models to be generally followed, but they may point out certain attitudes that should be guarded against and they may offer some suggestions as to diplomatic methods that have proved successful in holding the business of this class of customers.

Here is a letter from a type foundry to one of its delinquent customers:

Dear Sir:

We are in receipt of your favor of the 7th, enclosing an order for ———.

On referring to our ledger we find that you have a long overdue account on our ledger amounting to \$54.76 and we are surprised that you should send us another order without enclosing a draft to take care of this old debt.

Of course, we appreciate your business and aim to be very liberal in our terms. You must admit that we have been exceedingly lenient in your case. But it is not businesslike to let these old accounts accumulate and it looks to us as if it would be to your interest just the same as it is to ours for you to take care of this obligation at once.

You must understand that we have to call a halt some time and so we do not feel warranted in filling this last order until you send us a remittance covering the old account. We hope to receive a check by return mail and we will then fill your order of the 9th.

With best wishes we are,

Very sincerely yours,

Black & Black.

This letter was evidently written while the credit man was

"hot under the collar," but it is not unlike hundreds that pass through the mails every day—letters that are sadly out of tune, letters that are discordant in arguments and in language. If the printer had some important job requiring material that could be secured only from this particular type foundry, he would probably hustle around and scrape up the money to settle the old account. But it is equally probable that no more orders would be sent to a house that handled his account in this manner.

Even though he may have been negligent about his bills, the house could ill-afford to collect the account at the expense of his good will.

A new credit man coming to this foundry had a broader grasp of the functions of his department, and in handling a similar situation, wrote:

Dear Sir:

Your letter of the 9th accompanying your order for — has just been received. We thank you for favoring us with this business.

Do you realize that your previous account for \$34.76 is now overdue nearly three months? It may have been overlooked, although your attention has been called to it several times.

We are at all times willing to grant our printer friends reasonable accommodation, but when we allow them to keep adding new accounts without offering a settlement of their old obligations we feel we are doing both ourselves and the customers an injustice.

Please understand that we appreciate your business very much and we try to merit it by the quality of goods we sell and the treatment accorded our customers.

We hope, therefore, that you will send us your check for this account by return mail, and immediately upon its receipt we will be very glad to give your order our very best attention and ship it to you promptly.

We trust you will look at this matter in the same light as we do and that you will give this past due account your immediate attention.

Very truly yours,

Black & Black.

This letter is diplomatic; there are no harsh words, no abuse. And yet the point is made perfectly clear that further credit cannot be secured until the old obligation has been wiped off the books.

Throughout the letter there is evidence of a spirit of fairness that will reach most men when bluster and bullying would have no effect. The delinquent is made to feel, no matter what happens, that he has been treated courteously and fairly, and the house retains his good will.

The best credit man is not the one who has the smallest percentage of bad accounts. Every house establishes the percentage of loss from bad debts which the business will stand and below which it does not want to go. So the good credit man puts salesmanship into his letters and thinks not only of keeping the loss from bad accounts from rising above the established allowance, but also of increasing the volume of business that his house is doing. He looks to the future as well as to the past.

Here is the letter sent out by a Chicago wholesaler to a customer on whom reports had not been satisfactory. It does not tell the customer bluntly that his standing is not satisfactory. A sugar coating is given to a bitter pill by assuring him that the reports "do not give the required information," and as an inducement to secure his order on a cash basis, a special discount is offered:

. Dear Sir:

In seeking information from the usual outside channels, for basing credit for you, we find our reports have not been sufficient in detail to permit us to arrange this matter on an equitable basis. These reports all speak very highly of you in a personal way, but do not give us the required information in the way of assets as compared with liabilities to enable us to arrive at such a credit basis as we feel you unquestionably are entitled to.

We assume you want our goods for your early fall trade. It is imperative, therefore, that we ship immediately. We suggest that on this order you arrange to favor us with draft, in consideration of which we will be pleased to allow you a special discount of 3%. Bear in mind that we suggest these terms only on this first order, as we feel confident we can easily arrange a credit basis for all future

shipments we are positive you will need in our line.

We sincerely trust you will take no personal exception to our above suggestion, which we have made in your interest solely.

Thanking you for the kindness of an immediate and, we trust, favorable reply, we are,

Yours very truly,

Erown & Co.

While the merchant who received the letter was probably disappointed, there was nothing about it to offend him and he could have nothing but respect for the house that conducted its affairs on such a courteous, yet businesslike basis. Asking a delinquent for money can be just as dignified and courteous as trying to sell him goods—and it keeps the customer in a friendly attitude. A “grouchy” credit man may, in one letter, lose to a house a business it had been years in developing.

Here is the letter from another wholesale house to a customer who had been allowed a small line of credit but who had fallen behind in his payments:

Dear Sir:

After careful consideration of your recent letter we are sorry to inform you that we have decided to hold back the order. We regret this, I assure you, quite as much as you do, but our unalterable rule of business in this regard leaves us no alternative.

We do not in the least like to lose your account, and we sincerely trust we may, in the near future, come to some agreeable understanding.

It is to be hoped that you will soon dispose of the property you mentioned in your last letter, and that its sale will enable you to clear up the outstanding balances against you.

Our action with regard to your case is to be especially regretted, owing to the lateness of the year; we still feel you would be best served if you sent us your remittance of \$200, and let the shipment go forward. We say this in all earnestness, as we know what it means to go into the open market at this time to buy Christmas goods.

Should we not hear from you by next Thursday by wire or mail we will have to unpack your shipment and place back in stock, as it is taking up valuable space.

Very truly yours,

Anderson & Anderson.

This is in reality a collection letter aimed primarily "to get the money" by deftly suggesting to the merchant how hard it would be for him to go into the open market to buy Christmas goods, and the fact is driven home that he cannot hope to have his order filled without a substantial payment on account for he is assured that the shipment will be unpacked unless he is heard from by a specified time. This letter is a shrewd blending of collecting and selling, and while it may hurt, it gives the sometimes necessary prod to an easygoing merchant, that he cannot expect continued credit unless he looks more diligently to the payment of his bills.

A wholesale house was unable to secure the required information regarding a new merchant and wrote him this letter:

Dear Sir:

Concerning your valued order, we find it best to write you directly relative to it in order that we may arrange the matter of credit terms to your best advantage.

We have experienced a little trouble in securing definite information for basing credit. But, after all, this is a matter which concerns us alone and we would much rather secure the necessary information direct from you than from outside sources. Our experience in the past has been that when we have gathered information through outside channels, very frequently it does a merchant a serious injustice and it is therefore always our preference to go direct for the facts we need.

We enclose a statement and will appreciate it very much if you will fill this out so we can determine upon a credit basis from the facts you submit. It is understood, of course, that this statement is to be held strictly confidential and used only by ourselves.

The particular class of goods which your order calls for has proved one of the most popular lines that we are showing this fall. You will find an immediate demand for it and one that will prove very profitable for you.

We will appreciate an early reply, with statement properly filled out in detail, and immediately on receipt the order will have our preferred attention.

Very truly yours,
Brown & Co.

This is a diplomatic letter, for it cleverly suggests to the merchant that the house is doing him a favor in sending directly to him for information, thus avoiding the injustice that might follow from incomplete outside information. And then the fourth paragraph brings in the selling talk intended to stimulate the desire of the merchant to have his order filled promptly.

SOMETIMES A LETTER LIKE THIS IS HELPFUL WHEN
CUSTOMERS LACK SATISFACTORY RATINGS

A large grocery house, on receiving an unsatisfactory report from the mercantile agencies, wrote this letter to a would-be customer:

Dear Sir:

We have studied the data regarding your financial condition and unless there is some mistake in the information furnished us it would appear that your capital is not large enough to justify us in letting your order go forward on our regular terms.

Your reputation is well vouched for and on the score of your good intentions we are quite satisfied, but it is positively necessary in such instances that your assets be such as would assure us that you could take care of maturing accounts; it is not so much a question of whether a dealer will pay a bill as whether he can pay it.

It is not at all improbable that the data we have is incorrect and therefore we enclose a blank form which we will ask you to fill in and mail us together with the names of a few houses you have had dealings with.

If agreeable to you, please deduct 2% cash discount and include remittance with your reply, and further delay on your order will be unnecessary -- the shipment will then go forward at once.

Very truly yours,

Anderson & Anderson.

Such a letter is severe but in some cases necessary, especially perhaps, with well-meaning but inexperienced men who may be entering the mercantile field with a limited capital and everything about the business to learn. The third paragraph affords a little balm for the sting, by the suggestion that the information secured may be incorrect.

Some firms depend upon the "hard-up" argument for making collections and it is frequently the refuge behind which a credit man tries to hide his real motive for denying credit—a false position that deceives no one. Here is an example of such a letter:

Dear Sir:

Since your visit at our office a few weeks ago, we have been pleased to receive an order from you amounting to \$475.00. We want to assure you of our appreciation.

You are undoubtedly wise in putting in a good substantial list of dry goods for the fall and winter trade, and we trust that you will dispose of it quite readily.

We are anxious to ship you this order as soon as possible, but as we have several very large debts to meet in the near future we are desirous of doing business on a cash basis, hence we would feel especially gratified if you would do your best to favor us with your check for the order, less 2% discount.

We are asking this favor of all our customers and we trust that you will not feel that we are making an exception in your case. Rest assured that such is not the case. It is our financial need that makes it urgent that we pursue this policy for some time to come.

Trusting you will strive to comply with our suggestions we beg to remain,

Very truly yours,

Louis & Frank.

While it may be true that the company had large debts to meet and really needed the cash, yet the letter was sent out by one of the oldest and largest dry goods houses in the country and it is doubtful if its statements were believed. The assurance that this same request was being made to all its old customers is equally preposterous, and the merchant who received such a letter could not help feeling, perhaps, that the house was not treating him honestly. Even an inexperienced dealer is not so easily fooled; a frank, businesslike statement that his credit is not acceptable will always prove a surer method of bringing forth a check and it always commands the respect of the customer.

Much more effective is the letter that tries to get the cash with the order by pointing out to the customer why it is to his advantage to buy on the cash basis. One credit man cleverly points out how the three per cent discount for cash is just the same as making an additional three per cent profit on his goods and receiving this profit in cash before one of the articles is sold.

Another firm has an array of figures to show how seldom merchants fail who buy for cash and keep up their own collections.

"It is not that we hesitate about extending credit but we always take occasion to advise dealers to stick to the cash policy as much as possible."

This sentence rings true in the credit letter because the firm goes on to give specific reasons why such a policy is to the merchant's advantage. The firm does not shake confidence in its own management by the cry of needing money. The letter is dignified and businesslike. It carries conviction because the reasons are logical and "good business."

And then there are credit men who talk to young business men in a heart-to-heart manner, telling them that they are willing to extend the credit but it has been their experience that it is advisable for merchants to go slow until they get established and to order in small quantities until they are thoroughly familiar with the needs of the field.

A firm in Chicago manufacturing physicians' and hospital supplies writes in a similar way to young doctors who have sent in their first order:

Dear Sir:

It is a pleasure to inform you that the replies received from the persons whom you gave us as references as to your personal standing and integrity are very satisfactory and we have accepted your order on the terms outlined in our previous correspondence.

We notice, however, in looking over your list, a number of articles for which we believe you will have no immediate need -- in fact, some of the instruments are used only for special operations and are likely to remain in your case for many months before you will have use for them.

As our experience of over 30 years in equipping physicians has taught us that the financial returns of a young physician starting out in practice are not always as rapid as he may anticipate we would suggest the omission of the instruments we have enumerated below. If occasion should arise for immediate need of any of these instruments they can be supplied by telegraph order within a few hours.

By reducing the amount of the order you will also reduce the amount of the payments, enabling you to put aside a surplus which may be of considerable advantage in case of emergency.

We trust that our suggestion will be taken in good part, and in the interval, awaiting your instructions, we will have your order made ready for shipment so that there may be no unnecessary delay.

Very truly yours,

Mitchell Bros.

No one could ordinarily take offense at this attitude and there is something about the letter that shows a genuine interest on the part of the firm. The doctor really feels that the house is giving him good advice, is looking to his interests as well as to its own and so the order is cut down and it is done in such a way that it increases the good will of the customer.

SOME INTERESTING METHODS FOR HANDLING THE CUSTOMER WHO IS INCLINED TO OVERBUY

One of the every-day experiences of the credit man is to pass on orders from customers who are inclined to stretch their credit accommodations. The trick is to induce the customer to reduce the size of his order without offending him.

Here is the way a wholesale grocery house bluntly handles this class of business:

"We are not satisfied with the replies regarding your standing. The total amount of your order would not warrant us in running any risk. If you are disposed to pay us on account, half the invoice, \$48.30, and promise to remit the balance in the usual thirty days, we will send on the goods as quickly as possible."

Here is the diplomatic way in which a rival concern persuades the customer to reduce his order:

Dear Sir:

Your order for goods received. We are quite pleased to hear from your part of the country, and we trust that business is on the upward trend in Streator.

Your intention to put in a stock of flour for winter trade is good policy, but the brand you order is not one that we feel will be an Al seller in Streator. It is, of course, possible that you may be able to dispose of the entire order within a few months, but our past experience teaches us that it is always best for a dealer to go slow on a new brand of flour.

Instead of sending you a \$300.00 order, we feel that it will be to your advantage to try \$100.00 worth of the flour first, and see how it sells. After that you will be in a position to know positively whether this brand will be an asset or a dead burden on your hands. We never like to send any dealer a bill of goods that we think will not come up to his expectations as a seller.

A large demand has been created for this brand in some sections, but in your section this demand has not been fully developed.

Very truly yours,

L. W. Hamilton,

County Credit Department.

After reading this letter the merchant feels like thanking the wholesale house for giving him such good advice and looking after his interests by cautioning him not to tie up his capital in an unsalable line.

A credit man who tried to combine a collection and selling letter, wrote to a comparatively new customer:

"We are in receipt of your valued order given our representative, Mr. Hammond, and we wish to thank you. Our business relations during our acquaintance have been very pleasant and we trust have been profitable to both buyer and seller. We note that the remittance for your last purchase -- \$288.89 -- is 10 days past due -- a condition for which we are at a loss to account -- perhaps an oversight on your part.

"Before shipping this large order -- \$978.30 -- we should take occasion to suggest that you oblige us by reducing the order to half the amount, owing to the fact that we have had a very heavy demand

on the line of goods you call for, and we fear that we will run short before we can replenish our stock. We have asked others to act on this suggestion which is simply a course followed by every live and prosperous business house."

The letter does not ring true; it has a hollow sound that does not fool the buyer. The reference to the past-due account and the request to reduce the order by half are so closely connected that the thought in the credit man's mind is apparent and the reader is not convinced that the old customers have been asked to reduce their orders on the same line of goods.

But here is a credit man facing an identical situation who succeeded in having the order reduced without giving offense.

Dear Sir:

We thank you for your order for semiporcelain ware, amounting to \$500. This line has proven so exceptionally popular this season that it has been practically impossible for us to fill the demand in our usual prompt way.

It will be appreciated, Mr. Roe, as a special favor on your part if you will permit us to reduce this order to \$200 for immediate shipment. We are asking this favor from other customers in order that we may let all share in the popular demand for this very excellent line.

We will hold the balance of your order on special file and would be pleased to receive your order for more of the line at any later date that you may be in need of it. Let us assure you that we will appreciate very sincerely your accommodating us in this matter and regret that the demand for the line necessitates our asking the favor of you.

Awaiting your very prompt reply and assuring you that on receipt of it the order will go forward immediately, we are,

Very truly yours,

Brown & Co.

An exceedingly diplomatic turn-down is used by a New York house to a would-be credit customer:

Dear Sir:

Some time ago the management enforced upon our sales department a rule that all orders should be accompanied by cash, unless the account had been previously passed upon by our credit department.

This opening is more than a clever turndown; it is a skillful sales argument as well. It takes off the personal affront of the refusal, and indulges in a little confidence with the customer that has the human ring. Any small confidence of this kind is always a good thing.

If it were the function of the credit man to keep up collections and hold his bad accounts down to the minimum, his task would be easy. It would be very simple to refuse sales to everyone except the merchants who are known to be "good pay." But the house wants to increase its business and too strict a policy on the part of the credit man invariably means a loss of customers. So every house fixes the percentage of bad accounts the business will stand for and the credit man is wise who keeps close to this line. If he falls below the fixed per cent the management may complain to him that he is too strict, driving business away, and this is sometimes just as bad as it is to let down the bars and let in too many bad accounts.

So the problem of the credit man is to deal diplomatically with the questionable customers; get their business on a cash basis if possible; but if he cannot, point out to them how it is to their advantage to reduce their orders to a level consistent with the demands of their trade—orders that the house will be glad to fill. He must have an eye to salesmanship and to collections and write letters that will secure the maximum of business at the minimum loss; he must be, first and always, a diplomat.

If the question, "What is a hundred-per-cent-efficient collection manager?" were asked, the answers would probably be as follows:

Board of Directors: "One who collects one hundred per cent of the indebtedness shown on the books."

President: "One who collects from one hundred per cent of those who can pay."

Sales Manager: "One who collects without killing future business."

Salesman: "One who forgets overdue accounts."

Here is the really correct answer:

"One who collects, yet creates good will and paves the way to greater yearly sales by making a purchaser into a better customer."

One company's terms are: one hundred and twenty days, date of invoice, three per cent, thirty days. The practice followed in collections was the usual one of attaching to statements a slip notifying the customer of the total of invoices falling due during the month and advising that a draft for that amount would be forwarded on the day specified unless a remittance covering the bill was previously received.

Where the draft was returned, form letters of the accepted type were used; the account was placed in an attorney's hands in case the mail attack produced no answer. Any account collected by attorney was sold only for cash in advance thereafter. The letters were tactfully drawn up and the procedure logical. The debtor had ample chance to put forward any complaint or explanation before steps were taken toward collection through a third party.

The losses by this method were small, not exceeding three quarters of one per cent. The percentage of cases reaching attorney's hands was less than two per cent of the accounts on the books. Furthermore, this two per cent included all failures, crooks and "long shots" taken where need of representation was great.

As a result, however, of an investigation extending over a number of years, their whole policy on collections has been changed and the past two years' experience with the new policy fully justifies the change. The old "notice of draft" attached to statements formerly read:

Our terms of sales are 120 days net. Not hearing from you we will draw at sight for
on covering items then due.

The new form reads:

In case you desire to pay by draft on presentation, no notice is needed. If we do not hear from you by, you will receive draft for \$....., covering the first items on the attached statement.

Below is a convenient sticker for your diary.

Consolidated Paint Co.

DateAmount

When drafts are returned unpaid, the first step is no longer to mail out a form letter, but to secure the latest credit report, sending for new reports where those on file are over six months old. These, together with the history records, are studied in order to produce a real letter which will collect instead of a form which is only a reminder.

When this type of letter fails to bring a prompt settlement, the tack is changed entirely. Nor is this second letter an assumption of the "loss in the mails" of my first letter. This typical second effort will show the new slant:

We want more of your business because we feel that you will make greater profits from a wider variety of Consolidated products. That means that you'll have more reason to give them the best position in your store and in the best seasons feature them in your windows.

There's only one thing in the way. That's your unwillingness to order again until you have balanced up the \$32.16, shown by the attached statement. We've been supplying you for several years -- six, to be exact -- and we'll tell you frankly that the \$32.16 isn't in the way so far as we are concerned.

Send in your order and give us a definite date when the item in question will be met, and the new goods will be earning profits for you.

For an example of the most effective letter for many cases where no response has been made to two letters following refused draft, this one to a customer rated 20,000-30,000, 2nd credit, brings out an interesting suggestion:

For 150 days we've been with you in the form of your order of 25th. We should have brought you in profits enough to more than cover the paint cost to you of \$183.27.

If we haven't, let's get together now -- not a month later, when you wonder why we won't be patient and we wonder why you aren't ordering as you used to.

Have a clerk check up your stock of Consolidated with the invoice we attach, and let's find out whether we owe you a lot of help in moving the goods or whether you overlooked the profits our 150 days with you have brought in.

If the customer does not answer, the next step is to wait for the salesman's comments (which must be made on the form attached to the carbon sent him). When this comes in, a final letter is dispatched like this one to a small dealer in Oakland:

There can be only three reasons why our letters of the 15th and 28th of July and the 16th of August did not result in a new order or remittance.

1. We didn't make clear that your order of the 5th of April had become overdue.
2. You have some complaint which you are waiting to make.
3. Your financial arrangements have been such that you have delayed.

We are remedying the first by drawing again at sight, the second by enclosing a stamped envelope, and if it is the third, isn't it fair to both of us to balance the old account or give us a definite date and reason for delay?

In our years of close friendship with hardware dealers they have often come to us with their problems of financing, selling, and their own credit and collection troubles. From our salesmen and our branch houses we have learned a lot of helpful things we are glad to pass along.

Can't we get together now before we have to ask someone in your town to present our request for payment? We'd a lot rather, and think that you would.

Here's a fifth letter—and after it its reason and its results:

If you were within easy car-ride, we'd drop over to find out why our several letters haven't been answered.

We can't, because the distance prevents. Our acquaintance in Buffalo does not include anyone you know who could act for us, so we're forced to send a statement of your account and copies of our letters to Smith & Smith, the attorneys, in order to learn your wishes.

This isn't anything more than the only way we see to find out just what the trouble is and remedy it if we're at fault.

We want to sell you Consolidated paints for years to come -- but it takes the two of us to make it possible.

A wire will cause us to wire Smith & Smith to return our letter unopened. Isn't it worth giving the matter that attention?

The reason is, "Don't try four times in a friendly mood to hold a customer in line, and then get mad and "show him."

The results are: "The friendship of men who can make profits for you. Copartners, if you wish to correctly term them. The man who sees that even in the last extremity you have arranged so that he can save himself from having his indebtedness known *in his home town* is either in need of a receiver or an alienist if he fails to cash in on your offer."

Often a returned draft has paved the way for this company's selling organization to get behind a merchant's business and give it a lift and in this way the company makes friends who are anxious to repay and glad of the opportunity it always endeavors to arrange.

The whole essence of this company's collection policy is in this letter:

No firm is ashamed to ask a man to buy something worthy of his brand. No man should be ashamed to ask for his share of the profits on a dealer's sales of his product. No firm but is ashamed when one of its representatives shows anger when he fails to make a sale. No firm should fail to be ashamed of any representative who indicates anger at failure to make a collection.

All our collection efforts aim at a continuance of the business relation, because we like friends and like profits.

And that, after all, is the whole story.

No business can operate without complaints and the shrewd office manager aims to handle them promptly, satisfactorily and economically. The majority of complaints fall into definite groups and many houses have fixed policies for handling them. Regardless of the system adopted, the customer must be appeased and this must be accomplished quickly and at small expense to the house. Some concerns make an immediate adjustment and then start an investigation to discover the source of the trouble; others, handling special products, investigate before making an adjustment.

There is a certain class of houses that lose all interest in a sale as soon as the customer's money is received. But nearly every successful concern has adopted this policy sooner or later; no transaction is completed until the man who spends his money is satisfied. A dissatisfied customer is a serious menace; he makes it a point to drive business away—he is the danger signal standing between the house and future sales.

Usually it is a far better investment to satisfy one old customer's claim than to spend the same amount of money locating new prospects. And it is a better advertisement, for the assurance that a house stands back of its goods is a powerful magnet in pulling orders. The adjustment of a grievance invariably leads to more orders; it puts "boosters" into the field.

When the average customer makes a complaint, it is of vital importance to him; if he holds a grievance, it is a serious matter. He may be to blame; you may have been negligent, or a third party may have been responsible, but no matter where the fault lies the customer wants immediate consideration.

While some complaints are certain to come from unreasonable persons, the percentage is so small with the average business that they can hardly be considered when adopting a uniform house policy for handling dissatisfied customers. Experience shows that the buyer is usually an exception who cannot be reached by the right kind of a letter.

The tactless letter which says, "Your claim is altogether unreasonable and could not be conceded," will only aggravate wounded feelings. Bluntness, indifference and intolerance are like so many slaps in the face.

But on the other hand, if the angry customer gets a reply of this kind, "We are very glad to take this matter up and assure you that any mistake will be adjusted promptly and satisfactorily," it immediately takes the edge off his temper. A spirit of fairness and a "we'll do our part" makes adjustment easy.

It is necessary to the satisfactory settlement of a complaint, to reassure the claimant immediately. Promptness in replying is the first essential. If a customer is compelled to wait for a

reply, his grievance grows rapidly. And the longer the delay the more difficult becomes the adjustment.

One house turns the complaint letter over at once to a special department. Letters are answered on a regular time schedule, and the complaint is acknowledged promptly, even though the actual adjustment may require considerable time.

Obviously the same methods of handling complaints are not applicable to all businesses but there is one fundamental principle: keep the complainant in good humor and satisfy him as far as is consistent with circumstances and house policy.

The manner of settlement depends upon whether the cause of the complaint is readily traceable or whether it needs careful investigation. The most familiar claims come under a "routine complaint" classification, for which there should be a definite policy of settlement. A certain number of these complaints are apparently inevitable and can be handled by a routine policy. They may be grouped in six divisions: delayed shipments, goods damaged in transit, goods not as ordered, goods unsatisfactory, shortage, and shipment lost.

If the remedy for any of these difficulties may be applied quickly, form letters are usually most economical and most convenient. But if the complaint demands any particular treatment, personally dictated letters handled only by correspondents trained for this work are essential. The use of a form letter in such cases would merely increase the irritation and the reply of a tactless letter writer would only make things worse.

In the handling of any complaint, whether just or unreasonable, the aim is to settle it with the least expense. So in all letters that deal with complaints the underlying principle is to appease the customer quickly and at a small cost, and at the same time strengthen the bond of interest.

To get the mental attitude and viewpoint of the customer is obviously one of the most important considerations. Many complaint correspondents brush aside all immediate surroundings and imagine themselves sitting in the customer's chair and in his own mood.

Every correspondent for one of the large mail order houses has before him, under the glass desk top, a card that reads:

"Instead of our customers seeing us from in front of a counter, they see us from in front of the letters you write to them.

"Before you start to dictate a letter, be sure you have digested the customer's or prospective customer's letter. Whether it is a complaint or an inquiry, be sure you have put yourself in his place and know just why he is dissatisfied or just what he wishes to know.

"Be sure you answer every portion of his complaint or inquiry in language he will understand. If you do not, he will either have to write us again or send his business to some other house.

"And do not pass your letter to the mailing desk until you have again read his letter and your answer to it.

"He will judge the house by your letter."

Then these four questions are considered.

First. Has the complainant any just cause for complaint?

Second. Is he writing through ignorance of some condition or circumstance?

Third. Is anyone in this office either wholly or partly to blame for the complaint?

Fourth. Is he trying to impose on us?

Usually these questions, if put honestly, can be decided definitely, yes or no. And they are applicable to practically every business. They are the test of your ability to write a fair, reasonable letter. If the customer really has a just cause for complaint, he must be handled from that standpoint alone. If he has not, the proposition is more difficult.

One house finds it well to begin all letters, whether in answer to a just or an unjust complaint, in one of these ways:

"We are sorry you have been subjected to any annoyance;" "We understand your feelings on the subject;" "We regret that we cannot see you in person to talk the matter over." The question is always taken up from the customer's standpoint, agreeing with him, taking the fight out of him in the very first sentences.

"If we were buying," is the attitude of these letters, "we should no doubt feel the same way."

Get at the complainant in the beginning and secure his attention and good will as a foundation for what you hope to

impress upon him later. This is the secret of good complaint-letter handling, just as it is of good salesmanship; his own interests, not yours, is the shortest route to the desired end.

One mark of the skilful correspondent is to enter into the customer's viewpoint and admit at the start not necessarily the justice in the complaint but the propriety in bringing it directly to the house. This will usually put the customer in the right mood for the explanation that follows without violating any ethical standards or without putting the house in a ridiculous attitude.

If a complaint is unfair to the house, the complaining customer should be shown, from his own angle, that the house cannot concede the demands without jeopardizing its own interests and the interests of its customers. These letters might show that such and such a price or policy would mean poorer qualities, or the failure of some vital plan for the actual benefit of the customers, or unfair discrimination which could not fail to hurt the customer in the end.

Misunderstandings, too, are usually explained most successfully with this policy of putting the customer's interests in the limelight. There is always some twist that can be given to an argument which will appeal to the self-interest and reason of the buyer. Then this attitude makes it easier to assume a more rigid adherence to a settled house policy and to hold a tighter rein over customers where this is necessary.

The tactless letter that starts out by telling about the precautions which the house takes to guard against just such errors; that goes on at length describing the system of inspection, packing and shipping; that intimates that the customer must be misrepresenting or is a crank—and then, after he is mad through and through, winds up by saying that if the goods are returned the order will be replaced, is unpolitic in the extreme.

If it is the intention to send new goods or refund the money, say so quickly—and make a friend; thank the customer for calling the matter to your attention, and then, if it seems desirable, tell about the rules for inspection and shipping, instead of insinuating that the mistake must be at the other end of the line. Admit that there is liability of error in the best arranged systems, and express regret that such a slip has occurred.

If the policy is to show a disposition to be fair and yet guard against the return of the goods, as in the case of the concern which depends more upon the one-time order than the future reorders, tactfulness is again the instrument that is indispensable. While with concerns of this class the same attitude of interest and consideration for the customer's side of the difficulty is found essential, the purpose of the adjustment letter is to carry the impression that the house has been fair and aims never to deceive. Here the whole idea is to persuade the customer to keep the goods and at the same time make him satisfied. It is often found necessary practically to resell the goods before this may be accomplished. So settlement letters of this kind are frequently made educational, always bearing closely upon the source of the complaint. When dissatisfaction is caused through an incomplete knowledge before the sale of the exact nature of the goods, an educational letter creates a new desire.

To assume in these cases that customers are always right is not only disastrous, but an incentive to dishonesty as well.

The actual investigation and adjustment of complaints on big sales should be handled by a house representative or by a disinterested third party. One house that has established an enviable reputation for fairness and equality in adjustment matters, immediately upon the receipt of the complaint, mails a letter expressing regret that there is cause for dissatisfaction, assures an immediate investigation, and promises an early report. This first letter plays for time and aims to put the customer in the right mental attitude.

Then, if the customer is not too far away, a representative is sent out to make a personal investigation. Otherwise the services of a local attorney are secured and the investigation made through him.

If this investigation shows a fault in the articles sold—some imperfection for which the house is to blame—an immediate allowance is granted on the basis of the amount of damage in the goods or the inconvenience incurred by the customer, or, if unusable, the goods are replaced or the purchase price refunded.

In case a transportation company is at fault, the customer is

so informed and every assistance possible should be given him in securing satisfaction for his inconvenience or loss.

But where the customer is at fault, or where the claim is obviously unjust, the policy adopted depends largely upon whether the house, for the sake of future business, can afford to assume the claim or stand pat on its rights in the case.

Where the refusal of a settlement may mean a big loss in future business, it is often deemed advisable to make an allowance, to meet the customer half way, or to cut a certain percentage from the bill and "charge it to advertising." But the letter granting this allowance should be so worded as to ward off any impression that a "kick" will always be followed by a shading of the bill.

If a claim is refused, it is always desirable to give the customer the impression that the house cannot consistently concede his demands. This letter must be based entirely upon the interests of the customer, and be made so reasonable that he will be convinced of its fairness.

By calling his attention to the position of the house, and then showing him the difference between its established policy and his position; by showing him the damage the granting of his demands might do the business; and lastly, by thanking him for the opportunity of making an explanation, the "rough edges" are smoothed over and he usually remains a loyal customer.

One of the most successful mail order houses of the country sums up its attitude in handling complaints as "promptness, absolute truthfulness and unfaltering courtesy." Fixing responsibility for an error is not the thing that concerns the customer: what he wants is the prompt assurance that his grievance will be taken care of in a spirit of fairness. As a matter of business a complaint must be settled equitably—as a matter of future trade, it must be settled promptly and in a way that will leave the customer in the right frame of mind. The actual adjustment is frequently a costly process; using the right attitude costs nothing and yet it may be the most important factor of all in reestablishing good will and in securing future business.

A definite policy is usually followed in handling all routine

complaints. For delayed shipment complaints one house finds a form letter of this kind most effective:

"We are sincerely sorry that there has been delay in your shipment and we want to thank you for notifying us so promptly. At the same time please accept our assurance of an immediate investigation. We will trace the shipment at once. Won't you tell us if you are at any immediate inconvenience as the result of the delay?"

When the cause of the delay has been traced no time is lost in notifying the customer. In case the fault is that of the house, the customer is told so frankly. The letter asks if he can use the goods and a promise of better service is made. If the customer refuses to accept this proposition, some inducement is frequently offered, but if he still refuses, his money is immediately returned.

Even though the difficulty arises from no fault of the house, a willingness should be shown to assist the customer in every possible way in getting satisfaction for his inconvenience or loss.

It is a common experience that a short, snappy letter, even though it shows a warm interest in the affairs of the customer, is never as effective as a lengthy personal letter taking up every detail of the case. Here is one place where brevity should be avoided. This is especially true with country and small-town customers. One letter of this kind opens:

"A careful investigation shows us that your order of the 9th, which you say has not been received, was filled and turned over to the Blank Express Co., the 25th -- the same day it was received. The enclosed receipt will show you how carefully we, as shippers, make consignments."

Then the letter continues with a detailed explanation of why delays are often inevitable with the transportation companies. This house offers, in the letter, to stand back of the customer to insure that he loses nothing. It agrees, upon the return of a notation from the local express agent stating that the goods have not arrived, either to duplicate the goods or refund the money. This is adjustment beyond the point where the house is responsible, but it has proved a wise policy since it gives a

confidence in the house that insures additional sales as well as holding present business.

When goods are damaged in transit, as the result of carelessness or neglect of the transportation company, or as the result of imperfect packing at the house, the letter acknowledging the complaint usually paves the way for a quick settlement, at minimum cost. Many concerns ask the customer to secure the local freight agent's notation of the amount of damage and the condition of the goods on their arrival. This is made on the bill of lading and the bill is returned to the house, thus avoiding any question that might arise over the amount involved.

With some articles, the damage may be repaired by the customer, after an estimate of the probable cost has been accepted, and the expense borne either directly or indirectly by the house. In any case, it has been found most satisfactory to pay such claim at once, looking to the transportation company to make reimbursement later if it is responsible for the damage. With mail order houses where reorders are an important factor in the business, a cheerfully given refund or an entirely new shipment, when the damaged goods are useless, is practically the only thing to do.

Sometimes a fair valuation may be placed upon the damaged goods and the customer may be asked to pay only for value received. Transportation company reports are often long delayed and settlements slow, so it is usually best to make immediate adjustments to show the customer that the house wants to help him—the house can better afford to wait for the settlement with the carrier.

In handling the complaint on goods that are not as ordered too often an attempt is made to convince the customer by argument that he should accept them. This is now considered a poor business policy by the better class of mail order managers. While such complaints often arise through some fault of the customer in ordering—which the investigation readily proves—experience shows that the most profitable method of settlement in the long run, is to exchange the goods at the expense of the house. A letter of this kind is usually most effective:

Dear Sir:

We are very sorry that you find the goods are not as you expected. We have looked up the order and find that you inadvertently gave the wrong number, as you may readily see by the enclosed duplicate. While we do not feel that we are in any way at fault, we want to thank you for giving us the opportunity of making an explanation and of helping you out. If the goods are of no use to you we will gladly exchange them, for we would not have you dissatisfied for many times the small cost of shipment charges.

Very truly yours,

BLACK & BLACK.

And many times the customer will keep the goods, rather than ask so considerate a house to bear an unjust expense; or he will at least offer to pay the transportation cost.

But if the house is at fault through some mistake in the shipping department, it is usually advisable to tell the customer frankly. Point out to him that, even with the most careful attention, mistakes are sometimes inevitable; that the house sincerely regrets any inconvenience that may have been incurred through an employee's mistake; that if the customer cannot use the goods they will be exchanged without expense to him, and that in the future every effort will be made to guard against similar trouble. Such a letter is sure to give the customer a high opinion of the house and to make him a warmer friend.

Sometimes a discount offered on the goods sent will induce the customer to use them, even though they are not exactly as ordered, and this is often a more profitable method of settlement because of the expense of having the goods returned. And a small reduction in price will often settle a claim that bears all the earmarks of an ugly situation.

The claim that the goods are unsatisfactory is the most difficult to handle. It requires tact of the highest sort. So the acknowledgment letter skilfully aims to ward off antagonism and then discover exactly where the customer finds a fault. Often it is merely a matter of opinion, and a little tactful explanation in the second letter will end the matter. Perhaps the customer fails to understand the nature and operation of the article or its proper application. Then a letter educating him to its qualities will restore him to a satisfied mood:

Dear Sir:

We appreciate your fairness, Mr. Jones, in advising us of your difficulty in making Pacific Lead cover your surface well. With painters who are accustomed to mixing ordinary leads we can readily see how easy it is to go wrong when first mixing Pacific.

Pacific Lead is ground so much finer than other leads and it has a so much better body that it offers more resistance to the mixing paddle and makes the painter think he has not used enough oil, and consequently, he continues to pour in the oil until he has added so much that it impairs the body of his paint.

If you will use precisely the same amount of oil by measure with Pacific Lead as you would with ordinary brands when first mixing Pacific, you will find that our product will cover far better than the other leads. Gradually you can add more oil to your subsequent mixings of Pacific when you have become accustomed to the feel of the paddle in Pacific Lead. You will then have a paint that will not only cover fully one-quarter more surface than the brand you have been using, but one that will spread easier under the brush, give you a decidedly whiter job and prove more durable.

If there are any other points in this connection that we can advise you on, don't hesitate to call on us.

Very truly yours,

PACIFIC LEAD COMPANY.

With a practical explanation the correspondent attempts to bring the customer around to the house attitude in the matter. If the goods are obviously at fault in some particular, an immediate reimbursement of money paid and expenses incurred is offered and every effort made to show that the house aims to be fair in all its dealings. If the fault is merely an imaginary one, the customer is treated as though he were as fair-minded as the house, and is assured that the trouble is not at all serious. But the customer is never left while he feels that he has been treated unjustly. If he refuses, absolutely, to be satisfied, he is asked to return the goods.

This method of handling the dissatisfied customer, with the average mail order house, is profitable because of the advertising such a policy is certain to create. But it may not be

adapted to the concern selling expensive specialties, however.

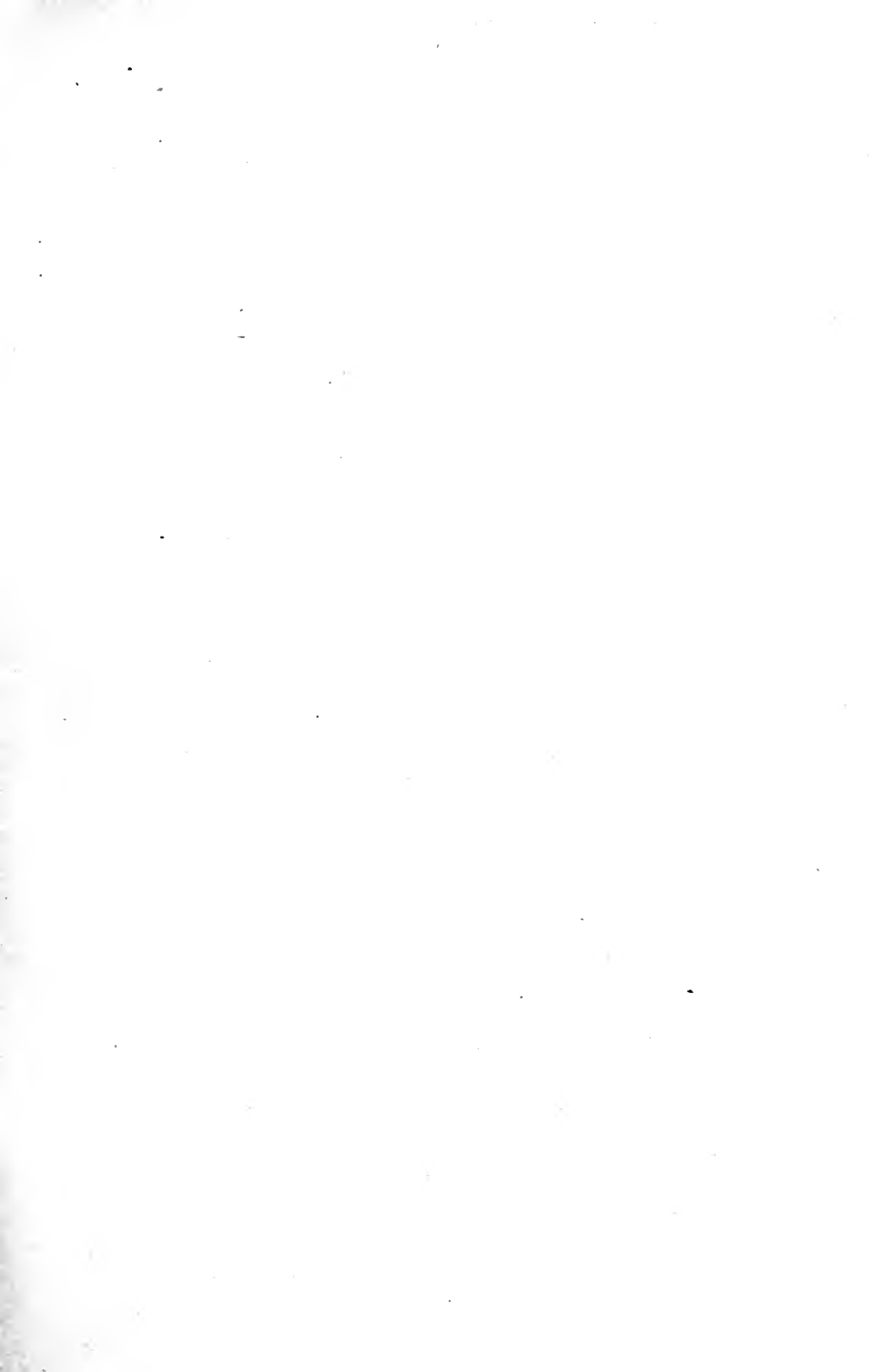
In handling and adjusting the shortage claim it is vitally important not to irritate customers through letters that carry an impression of suspicion. The validity of the complaint, for policy's sake, must be conceded. While the house usually finds an investigation necessary to avoid a recurrence of similar claims, this should be made in a way that will not give offense. Allowing such claims is almost always advisable.

Repeated complaints from the same customer are thoroughly investigated by most concerns, for a dishonest customer is seldom a profitable one; he should be eliminated from the customer file or kept under a special "Black List."

It is the policy of one house to refill all orders as soon as it learns that the goods have failed to show up, provided the claimant secures the signed notation of the local express or freight agent that a shipment has not been received. There is little chance of heavy losses to the company by this policy, for, in case the goods cannot be located, the transportation company is of course responsible and the additional transportation charges, in case the shipment is found later on, is compensated for by the good will created on the part of the customer.

With routine complaints an immediate adjustment and, if necessary, a later investigation, is generally accepted as the most profitable policy, if the amount involved is not too large. But when an adjustment means the expenditure of a considerable sum it is necessary for the house to know all the details of the trouble before making or refusing a settlement. A careful investigation usually indicates the most effective policy to adopt.

As in the settlement of the small routine complaint, the making of a big adjustment is strongly influenced by the attitude of the house in its letters. The buyer of the goods always wants assurance that his claim will receive immediate attention. So the first purpose of the letter in handling detailed investigations and making big adjustments, is to show the willingness of the house to be fair and just; to pave the way for such steps as are necessary in the investigation and to keep the customer in good humor until some definite action can be taken.



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